

REPORT FOLLOW-UP

AGENCY: IDAHO DEPARTMENT OF LANDS

On April 21, 2004, the Legislative Services Office released a *Management Report on Financial Procedures* for the Idaho Department of Lands for fiscal years 2001, 2002, and 2003. The Department was contacted on July 15, 2004, and this follow-up report addresses how the Department has responded to the two findings and recommendations contained in that report.

STATUS OF RECOMMENDATIONS:

Finding #1 – Accounting procedures and controls needed to be improved to ensure accuracy and compliance with policies.

Although we found that accounting procedures at the Department were generally good, improvements could be made. For example:

1. The Department did not reconcile or ensure that the amounts recorded in its internal accounting system (Navision) and subsequently transferred electronically to STARS, were accurate.
2. The Department did not reconcile billed and collected lease receipts to lease agreements and other documentation to ensure that all collections were correct.
3. The Department did not complete billings to ensure that it had an opportunity to collect all money owed. Fire pre-suppression billings were not always billed.
4. The Department did not ensure that all closing packages submitted to the State Controller's Office, to compile statewide financial information, were accurate and timely.
5. The Department was no longer auditing annual sand and gravel (mineral) royalties worth about \$1.5 million. The Department relied on lessees to submit the correct royalties and reports.
6. The Department did not ensure purchasing cardholders (P-cards) verified that all charges to their P-cards were authorized and documented. Nor had it instructed P-cardholders to change their original default password, which was the same for all employees, so no one could get into the system and authorize erroneous transactions.

We recommended that the Department establish controls and procedures for each of the issues above.

Audit Follow-up – The Department is working to improve its internal controls for each issue.

1. The Department reconciled Navision to STARS through December 2003. It will continue to reconcile each month until reconciliations are current, at which time it will reconcile on a monthly basis. The Department does balance daily transactions between the two systems. **IN PROCESS**

2. The Department has a system whereby the administrative assistant in the commercial and surface lease bureau sets up a six-month receivable for each lease. The lease program manager reviews the receivable and compares it to the contract. When the payments are received, they are verified to the receivable already on the books. **CLOSED**
3. The Department's fire management office in Coeur d'Alene sent out pre-suppression billings to State and non-State entities. The Department's fiscal section was only apprised of the State agency billings, not about what non-State entities have paid to date. The Department's fiscal office needs to know all billings sent to properly complete the receivable closing package. **IN PROCESS**
4. The Department assigned all closing packages to individuals, and has an outside contractor that will work with these employees to properly complete the closing packages by the due date. We will review the completed closing packages during the next audit. **IN PROCESS**
5. The Department surveyed two new lease sites in an effort to monitor the amount of sand and gravel removed from the site. The Department also has in its fiscal year 2006 budget, a request for funding to contract surveying and auditing services for the older leased sites. **IN PROCESS**
6. The Department sent out another memo telling all P-cardholders they must verify the validity and accuracy of all charges on their P-card. The employees were also instructed to change their default password, and reminded that they were responsible for all charges on their P-card. We verified that staff is now approving and documenting their expenses and have changed the default password. **CLOSED**

Status – The Department is working on correcting these problems. Parts two and six above are closed; the remaining four parts are in process.

Finding # 2 – The Department did not always comply with federal grant requirements.

The Department did not comply with: (1) proper cash management when it advanced money to resource conservation districts for projects up to five months in duration; (2) the subrecipient monitoring requirement when it did not ensure subrecipients complied with allowable costs and other compliance requirements; and (3) federal reporting requirements when it did not submit the proper reports as required by the grant agreement.

We recommended that the Department establish procedures to ensure compliance with federal requirements.

Audit Follow-up – The Department has a new employee who has been sent to training in order to understand what is required for cash management of advancing money to subrecipients, monitoring subrecipients, and all other grant requirements. The Department did submit the March 2004 quarterly report. The federal grant annual report will not be submitted until December 2004.

Status – **IN-PROCESS**